

Northwest Iowa Area  
Solid Waste Agency

FINANCIAL REPORT

June 30, 2009

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Northwest Iowa Area Solid Waste Agency  
Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Wes Koedam	Chairman	Lyon County
Duane Van Veldhuizen	Vice-Chairman	O'Brien County
Arlyn Kleinwolterink	Executive Board Member	Sioux County
Les Brommer	Executive Board Member	Sioux County
Scott Maggert	Executive Board Member	Sioux County
Tom Farnsworth	Executive Board Member	O'Brien County
Brad Hindt	Executive Board Member	O'Brien County
Bill Imhoff	Executive Board Member	Osceola County
Jerry Johnson	Executive Board Member	Osceola County
Arlyn Pedley	Executive Board Member	Osceola County
Ron Thompson	Executive Board Member	Clay County
Mike Modder	Executive Board Member	Lyon County
Bob Gerber	Executive Board Member	Lyon County
Harold Higman, Jr.	Executive Board Member	Plymouth County
Dale Oltmans	Board Member	City of Alton
Roger Nelson	Board Member	City of Boyden
Mark Weyen	Board Member	City of Chatsworth
Terry Hodgen	Board Member	City of Granville
Tom Kane	Board Member	City of Hawarden
John Solsma	Board Member	City of Hospers
Rod Te Krony	Board Member	City of Hull
Dan Schipper	Board Member	City of Ireton
Virgil Van Schepen	Board Member	City of Maurice
Duane Feekes	Board Member	City of Orange City
Jerry Burgers	Board Member	City of Rock Valley
Maynard DeBoer	Board Member	City of Archer
Bill Robinson	Board Member	City of Calumet
Ann Peterson	Board Member	City of Hartley
Justin Stamer	Board Member	City of Paullina
Jim Thompson	Board Member	City of Primghar
Jack Wallinga	Board Member	City of Sutherland
William Honkomp	Board Member	City of Ashton
Robert Crist	Board Member	City of Harris
Gary Benz	Board Member	City of Melvin
Allen Hockett	Board Member	City of Dickens
Aaron Rutter	Board Member	City of Fostoria
Gerri Jessen	Board Member	City of Gillett Grove
Amy Berry	Board Member	City of Greenville
Jacquie Rothrock	Board Member	City of Peterson
Larry Trosin	Board Member	City of Rossie
Arlene Wimmer	Board Member	City of Royal
Kenneth Essick	Board Member	City of Webb
Marlo DeJager	Board Member	City of Doon
Russ Hopp	Board Member	City of George
Dan Moen	Board Member	City of Inwood
Bill Henrichs	Board Member	City of Little Rock
Don DeYong	Board Member	City of Rock Rapids
Leonard Vanden Bosch	Board Member	City of Larchwood

Northwest Iowa Area Solid Waste Agency  
Officials - continued

Dennis Wright	Alternate Board Member	Sioux County
Ron Minten	Alternate Board Member	City of Alton
George Kraft	Alternate Board Member	City of Boyden
Dara Witzka	Alternate Board Member	City of Chatsworth
Lloyd Holles	Alternate Board Member	City of Granville
Kody Hedden	Alternate Board Member	City of Hawarden
Arnie Vander Wilt	Alternate Board Member	City of Hospers
Les Van Roekel	Alternate Board Member	City of Hull
Deb Korleski	Alternate Board Member	City of Ireton
Charlie Schwebach	Alternate Board Member	City of Matlock
Bill Korver	Alternate Board Member	City of Maurice
Ted Loucks	Alternate Board Member	City of Orange City
Tom Van Maanen	Alternate Board Member	City of Rock Valley
Murray Hulstein	Alternate Board Member	City of Sioux Center
Emily Waund	Alternate Board Member	O'Brien County
Larry Hardin	Alternate Board Member	City of Archer
Sarah Riedemann	Alternate Board Member	City of Calumet
Mike Boeve	Alternate Board Member	City of Hartley
Kevin Tesch	Alternate Board Member	City of Paullina
Glen Schueller	Alternate Board Member	City of Primghar
Jim Zuetenhorst	Alternate Board Member	City of Sanborn
Todd Uhl	Alternate Board Member	City of Sheldon
Ken Nelson	Alternate Board Member	City of Sutherland
Phil Bootsma	Alternate Board Member	Osceola County
Dennis Hatting	Alternate Board Member	City of Ashton
Phil Hibma	Alternate Board Member	City of Harris
Ron Wynia	Alternate Board Member	City of Melvin
Mary Roth	Alternate Board Member	City of Ocheyedan
Jan Henningson	Alternate Board Member	City of Sibley
Steve Simmons	Alternate Board Member	City of Dickens
Bud Meyer	Alternate Board Member	City of Everly
Doug Kolbeck	Alternate Board Member	City of Fostoria
David Yungluth	Alternate Board Member	City of Rossie
John Roberts	Alternate Board Member	City of Royal
Duane Drees	Alternate Board Member	City of Webb
Steve Michael	Alternate Board Member	Lyon County
Joe Kramer	Alternate Board Member	City of Alvord
James DeKam	Alternate Board Member	City of Doon
Kary Conaway	Alternate Board Member	City of George
Les Gayer	Alternate Board Member	City of Inwood
Henry Messner	Alternate Board Member	City of Lester
Ross Peters	Alternate Board Member	City of Little Rock
Carol Oliver	Alternate Board Member	City of Rock Rapids
Sandi DeSmet	Alternate Board Member	City of Larchwood
Gary Horton	Alternate Board Member	City of Akron
David Honkomp	Manager	
Elliot Waddell	Engineer	

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Northwest Iowa Area Solid Waste Agency  
Sheldon, Iowa

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of Northwest Iowa Area Solid Waste Agency (an intergovernmental organization) as of and for the years ended June 30, 2009 and 2008. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. Generally Accepted Auditing Standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northwest Iowa Area Solid Waste Agency as of June 30, 2009 and 2008, and the results of its operations and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 22, 2009 on our consideration of Northwest Iowa Area Solid Waste Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 5 through 8 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on management's discussion and analysis.

*K.F. Murphy, Co. P.C.*  
K.F. MURPHY COMPANY, P.C.

Sheldon, Iowa  
September 22, 2009

Northwest Iowa Area Solid Waste Agency  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Northwest Iowa Area Solid Waste Agency provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

**FINANCIAL HIGHLIGHTS**

The Agency's operating revenues decreased 3%, or \$31,530, from fiscal 2008 to fiscal 2009. Recycling fees decreased.

The Agency's operating expenses were 8%, or \$90,497 more in fiscal 2009 than in fiscal 2008.

The Agency's net assets increased 1%, or \$34,716, from June 30, 2008 to June 30, 2009.

**USING THIS ANNUAL REPORT**

Northwest Iowa Area Solid Waste Agency is a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to Northwest Iowa Area Solid Waste Agency's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency's financial activities.

The Statement of Net Assets presents information on the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Assets is the basic statement of activities for proprietary funds. This statement presents information on the Agency's operating revenues and expenses, non-operating revenues and expenses, and whether the Agency's financial position has improved or deteriorated as a result of the year's activities.

The Statement of Cash Flows presents the change in the Agency's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Agency financed its activities and how it met its cash requirements.

Northwest Iowa Area Solid Waste Agency  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

**FINANCIAL ANALYSIS OF THE AGENCY**

*Statement of Net Assets*

As noted earlier, net assets may serve over time as a useful indicator of the Agency's financial position. The Agency's net assets for fiscal year 2009 total approximately \$4,105,000. This compares to approximately \$4,070,000 for fiscal year 2008. A summary of the Agency's net assets is presented below.

Net Assets		
	June 30,	
	2009	2008
Current assets	\$ 3,021,217	\$ 2,424,233
Restricted assets	1,569,647	1,589,144
Capital assets at cost, less accumulated depreciation	<u>1,247,304</u>	<u>1,138,434</u>
Total assets	<u>5,838,168</u>	<u>5,151,811</u>
Current liabilities	660,190	79,883
Noncurrent liabilities	<u>1,073,033</u>	<u>1,001,699</u>
Total liabilities	<u>1,733,223</u>	<u>1,081,582</u>
Net assets:		
Invested in capital assets, net of related debt	1,247,304	1,138,434
Restricted	1,569,647	1,589,144
Unrestricted	<u>1,287,994</u>	<u>1,342,651</u>
Total net asset	<u>\$ 4,104,945</u>	<u>\$ 4,070,229</u>

The unrestricted portion (31%) may be used to meet the Agency's obligations as they come due. The largest portion of the Agency's net assets (38%) is restricted for closure and postclosure care and for tonnage fees due to the State of Iowa. State and federal laws and regulations require the Agency to place a final cover on the landfill sites and perform certain maintenance and monitoring functions at the landfill sites for a minimum of thirty years after closure. The invested in capital assets (eg. Land, buildings and equipment) (31%) are resources allocated to capital assets.

Northwest Iowa Area Solid Waste Agency  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

*Statement of Revenues, Expenses and Changes in Net Assets*

Operating revenues are received for gate fees from accepting solid waste and assessments from the residents of the County. Operating expenses are expenses paid to operate the landfill. Non-operating revenues and expenses are for interest, farm and grant income. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net assets for the year ended June 30, 2009 and 2008 is presented below:

Changes in Net Assets		
	Year ended June 30,	
	2009	2008
Operating revenue:		
Gate fees	\$ 887,065	\$ 835,739
Recycling fees	<u>180,399</u>	<u>263,255</u>
Total operating revenue	1,067,464	1,098,994
Operating expenses:		
Salaries and employee benefits	476,834	461,384
Directors' fees and meetings	3,370	3,215
Gas, oil and grease	91,813	104,500
Telephone and utilities	4,200	3,928
Office, shop supplies and tools	3,883	4,299
Repairs and maintenance	47,317	50,475
Payroll taxes	28,728	28,544
Insurance	50,821	58,915
Professional fees	6,929	4,966
Depreciation	175,728	165,063
Advertising	1,853	952
Miscellaneous	1,944	1,094
Custodial expense	1,560	1,560
Education and training	996	513
Gravel	8,529	12,193
Engineering, hydrological studies and water sampling	56,922	21,223
Recycling expenses	32,751	28,426
Solid waste fee	22,963	22,097
Appliance and tire disposal fees	54,735	25,258
Closure and postclosure costs	<u>71,334</u>	<u>54,108</u>
Total operating expenses	1,143,210	1,052,713
Operating income	<u>(75,746)</u>	<u>46,281</u>
Non-operating revenues:		
Interest income	93,443	157,023
Net farm income	12,192	5,984
Grant income	-	99,288
Settlement proceeds/Other income	<u>4,827</u>	<u>1,322</u>
Total non-operating revenue	<u>110,462</u>	<u>263,617</u>
Increase in net assets	34,716	309,898
Net assets beginning of year	<u>4,070,229</u>	<u>3,760,331</u>
Net assets end of year	<u>\$ 4,104,945</u>	<u>\$ 4,070,229</u>

The Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year with an increase in the net assets at the end of the fiscal year.



Northwest Iowa Area Solid Waste Agency  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

In fiscal year 2009, operating revenues decreased by \$31,530, or 3%, primarily a result of recycling fees decreasing due to a slight decrease in the volume of collections and a decrease in the price received for recycled materials after processing. Operating expenses increased by \$90,497, or 8%. The increase was a result of engineering, water sampling & closure costs increasing.

*Statement of Cash Flows*

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes gate fees and assessments reduced by payments to employees and to suppliers. Cash used from capital and related financing activities includes lease payments and the purchase of capital assets. Cash used by investing activities includes purchase of certificates of deposits, Iowa Investment Trust Fund, and interest income.

**CAPITAL ASSETS**

At June 30, 2009, the Agency had \$1,247,304 invested in capital assets, net of accumulated depreciation of \$1,963,445. Depreciation charges totaled \$175,421 for fiscal year 2009. More detailed information about the Agency's capital assets is presented in Note 3 to the financial statements.

**ECONOMIC FACTORS**

Northwest Iowa Area Solid Waste Agency continued to improve its financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for Agency officials. Some of the realities that may potentially become challenges for the Agency to meet are:

- ? Facilities at the Agency require constant maintenance and upkeep.
- ? Technology continues to expand and current technology becomes outdated presenting an on going challenge to maintain up to date technology at a reasonable cost.
- ? Annual deposits required to be made to closure and postclosure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

The Agency anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Agency's ability to react to unknown issues.

**CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Northwest Iowa Area Solid Waste Agency, 4540 360<sup>th</sup> Street, Sheldon, Iowa.

Northwest Iowa Area Solid Waste Agency  
**Statements of Net Assets**

		June 30	
		2009	2008
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		\$ 145,430	\$ 178,828
Certificates of deposit		1,085,642	1,060,642
Investments		1,598,016	1,003,737
Accounts receivable		94,420	97,702
Other receivable		-	9,801
Accrued interest receivable		23,207	24,318
Prepaid insurance		74,502	49,205
Total current assets		3,021,217	2,424,233
CAPITAL ASSETS			
Net of accumulated depreciation		1,247,304	1,138,434
RESTRICTED ASSETS			
Cash and cash equivalents		150,826	212,883
Certificate of deposit		1,418,821	1,376,261
Total restricted assets		1,569,647	1,589,144
Totals		\$ 5,838,168	\$ 5,151,811

See notes to financial statements.

		June 30	
		2009	2008
LIABILITIES & FUND EQUITY			
CURRENT LIABILITIES			
Accounts payable		\$ 59,599	\$ 25,829
Accounts payable - equipment		551,125	-
Solid waste tax payable		41,497	44,647
Accrued property taxes		752	708
Compensated absences		7,217	8,699
Total current liabilities		660,190	79,883
NONCURRENT LIABILITIES			
Estimated liability for landfill closure and postclosure costs		1,073,033	1,001,699
Total noncurrent liabilities		1,073,033	1,001,699
Total liabilities		1,733,223	1,081,582
NET ASSETS			
Invested in capital assets, net of related debt		1,247,304	1,138,434
Reserved for			
Tonnage fees retained		150,826	212,883
Closure and postclosure care costs		1,418,821	1,376,261
Unreserved		1,287,994	1,342,651
Total net assets		4,104,945	4,070,229
Totals		\$ 5,838,168	\$ 5,151,811

Northwest Iowa Area Solid Waste Agency  
**Statements of Revenue, Expenses and Changes in Net Assets**

	June 30	
	2009	2008
<b>REVENUE</b>		
Gate fees	\$ 887,065	\$ 835,739
Recycling fees	180,399	263,255
Total revenue	<u>1,067,464</u>	<u>1,098,994</u>
<b>OPERATING EXPENSES</b>		
Salaries and wages	379,381	368,899
Directors and meetings	3,370	3,215
Gas, oil and grease	91,813	104,500
Telephone and utilities	4,200	3,928
Office supplies and services	3,883	4,299
Repairs and maintenance	47,317	50,475
Payroll taxes	28,728	28,544
Pension expense	22,474	22,207
Insurance	50,821	58,915
Employee benefits	74,979	70,278
Professional fees	6,929	4,966
Depreciation	175,728	165,063
Advertising	1,853	952
Miscellaneous	1,944	1,094
Custodial expense	1,560	1,560
Education and training	996	513
Gravel	8,529	12,193
Engineering and hydrological study	35,457	15,758
Water sample expense	21,465	5,465
Recycling project	32,751	28,426
Iowa Department of Natural Resources tonnage fee	22,963	22,097
Appliance disposal fees	9,474	6,730
HHW expense and tire disposal fees	27,479	11,236
HHW education and advertising	4,893	5,161
Tire disposal fees	9,542	2,131
Closure and postclosure care costs	71,334	54,108
Total operating expenses	<u>1,139,863</u>	<u>1,052,713</u>
Operating income	(72,399)	46,281
<b>NONOPERATING REVENUE</b>		
Interest income	93,443	157,023
Grant income	-	99,288
Other income	1,480	1,322
Farm income, net of expenses 2009 \$2,331; 2008 \$5,925	12,192	5,984
Total nonoperating revenue	<u>107,115</u>	<u>263,617</u>
Net income	34,716	309,898
Net assets beginning of year	<u>4,070,229</u>	<u>3,760,331</u>
Net assets end of year	<u>\$ 4,104,945</u>	<u>\$ 4,070,229</u>

See notes to financial statements.

## Northwest Iowa Area Solid Waste Agency

**Statements of Cash Flows**

	June 30	
	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 995,930	\$ 991,417
Cash paid to suppliers and employees	(318,175)	(825,249)
Cash received from grants	-	89,487
Cash received from farming	14,523	11,909
Cash paid relating to farming	(2,331)	(5,925)
Cash received from solid waste tax	66,481	69,938
Net cash provided by operating activities	<u>756,428</u>	<u>331,577</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of capital assets	(284,597)	(264,418)
Net cash (used in) capital and related financing activities	<u>(284,597)</u>	<u>(264,418)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Iowa Investment Trust Fund	(644,279)	(235,470)
Proceeds from Iowa Investment Trust Fund	50,000	-
Purchase of Certificates of Deposit	(67,558)	(12,508)
Interest received	94,551	159,181
Net cash provided by (used in) investing activities	<u>(567,286)</u>	<u>(88,797)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	(95,455)	(21,638)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning	<u>391,711</u>	<u>413,349</u>
Ending	<u>\$ 296,256</u>	<u>\$ 391,711</u>

See notes to financial statements.

Northwest Iowa Area Solid Waste Agency

**Statements of Cash Flows (continued)**

	June 30	
	2009	2008
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
PER STATEMENT OF CASH FLOWS TO THE BALANCE SHEETS		
Per balance sheets		
General fund, cash and cash equivalents	\$ 145,430	\$ 178,828
Restricted fund, cash and cash equivalents	150,826	212,883
Total per statement of cash flows	<u>\$ 296,256</u>	<u>\$ 391,711</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH		
PROVIDED BY OPERATING ACTIVITIES		
Operating income	<u>\$ (72,399)</u>	<u>\$ 46,281</u>
Adjustments to reconcile operating income		
to net cash provided by operating activities:		
Depreciation	175,728	165,063
Closure and postclosure costs	71,334	54,108
Component of operating income reclassified		
for purposes of reporting cash flows:		
Other income	1,480	1,322
Grant income	-	99,288
Farm income, net	12,192	5,984
Changes in assets and liabilities		
Decrease (increase) in accounts receivable	3,282	(16,864)
Decrease (increase) in other receivable	9,801	(9,801)
Decrease (increase) in prepaid insurance	(25,297)	(20,276)
Increase (decrease) in solid waste tax payable	(3,150)	1,396
Increase (decrease) in accounts payable	33,770	11,891
Increase (decrease) in accounts payable - equipment	551,125	-
Increase (decrease) in accrued property taxes	44	(268)
Increase (decrease) in compensated absences	(1,482)	(6,547)
Total adjustments	<u>828,827</u>	<u>285,296</u>
Net cash provided by operating activities	<u>\$ 756,428</u>	<u>\$ 331,577</u>

See notes to financial statements.

Northwest Iowa Area Solid Waste Agency  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

The Northwest Iowa Area Solid Waste Agency is an intergovernmental organization organized under the provisions of Chapter 28E of the laws of the State of Iowa for the purpose of providing for the economic disposal and recycling of solid waste generated within each member municipality located in a five county area. Admissions to the Agency is on a voluntary basis, with new members being approved by the existing Board of Directors. The Agency also provides disposal services to private contractors. The Agency, being an intergovernmental organization, is exempt from income taxes.

For financial reporting purposes, the Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Agency. The Northwest Iowa Area Solid Waste Agency has no component units which meet the Governmental Accounting Standards Board criteria.

Basis of Presentation

The accounts of the Northwest Iowa Area Solid Waste Agency are organized as an enterprise fund. Enterprise funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Measurement Focus and Basis of Accounting

The financial statements are reported using the economic measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Agency applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The Agency distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in conjunction with the Agency's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities, and Net Investments

The following accounting policies are followed in preparing the Statement of Net Assets:

Cash Equivalents - The Agency considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2009 and 2008, include certificates of deposit of \$1,085,642 and \$1,060,642, respectively.

Northwest Iowa Area Solid Waste Agency  
**NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Assets - Funds set aside for payment of closure and postclosure costs are classified as restricted.

Capital Assets - Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the useful lives of the assets. Buildings and lease improvements are amortized over twenty five years and equipment is depreciated over a five to seven year life.

The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reportable capital assets are defined by the Agency as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Buildings and improvements	\$ 1,000
Equipment and vehicles	\$ 500

Capital assets of the Agency are depreciated using the straight line method over the following useful lives:

<u>Asset Class</u>	<u>Estimated useful Lives (In Years)</u>
Buildings	15-25
Building improvements	7-10
Equipment and vehicles	5-7

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the year ended June 30, 2009 or 2008.

Compensated Absences - Agency employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death, or retirement. The Agency's liability for accumulated vacation has been computed based on rates of pay in effect at June 30, 2009 and 2008.

NOTE 2 CASH AND INVESTMENTS

The Agency's deposits at June 30, 2009 and 2008 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United State government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Agency; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Agency's investments at June 30, 2009 and 2008 were as follows:

	<u>Carrying Amount</u>	<u>Market Amount</u>
2009 Iowa Investment Trust	<u>\$ 1,598,016</u>	<u>\$ 1,598,016</u>
2008 Iowa Investment Trust	<u>\$ 1,003,737</u>	<u>\$ 1,003,737</u>



Northwest Iowa Area Solid Waste Agency  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 3 PROPERTY AND EQUIPMENT**

Property and equipment is summarized by major classification as follows:

	Balance <u>6/30/2008</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/2009</u>
Land	\$ 183,046	\$ -	\$ -	\$ 183,046
Land improvements	242,865	28,036	-	270,901
Equipment	2,039,705	313,537	(409,258)	1,943,984
Buildings	776,193	8,044	-	784,237
Office equipment	<u>27,049</u>	<u>1,532</u>	<u>-</u>	<u>28,581</u>
	3,268,858	351,149	(409,258)	3,210,749
Less accumulated depreciation	<u>(2,130,424)</u>	<u>(175,728)</u>	<u>342,707</u>	<u>(1,963,445)</u>
Totals	\$1,138,434	\$ 175,421	\$ (66,551)	\$1,247,304

**NOTE 4 PENSION AND RETIREMENT BENEFITS**

The Agency contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.10% of their annual covered salary and the Agency is required to contribute 6.35% of annual covered payroll. Contribution requirements are established by state statute. The Agency's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$22,474, \$22,207 and \$18,545, respectively, equal to the required contributions for each year.

Northwest Iowa Area Solid Waste Agency  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 5 RISK MANAGEMENT**

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. July 1, 1990, the Agency joined together with local government agencies in the State to form Iowa Community Assurance Pool (ICAP), a public entity risk pool currently operating as a common risk management and insurance program. The Agency pays an annual premium to ICAP for its general insurance coverage. The agreement for formation of ICAP provides that ICAP will be self-sustaining through member premiums and will reinsure through commercial companies for claims on excess of \$250,000 for each insured event.

The Agency continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 6 MAJOR CUSTOMERS**

For the period ending June 30, 2009 and 2008, three customers accounted for 48% and 37% of total operating revenue.

<u>Name</u>	<u>2009</u>		<u>2008</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Orange City Sanitation, Inc.	\$124,510	14%	\$120,156	11%
Brommer Truck Line	225,710	25%	186,752	17%
Town & Country, Inc	81,778	9%	93,119	9%

**NOTE 7 RELATED PARTIES**

The Agency collects gate fees in the normal course of business from solid waste carriers who also serve on the Agency's Board. Following is a summary:

<u>Name and Title</u>	<u>Description</u>	<u>2009</u>	<u>2008</u>
Les Brommer - Sioux County Representative, Executive Board Owner of Brommer Truck Line			
	Gate & Solid Waste Fees	\$ 225,710	186,752
	Accounts Receivable	18,160	20,323
Rod TeKrony - Hull Representative, Full Board Owner of Rod's Sanitation, Inc			
	Gate & Solid Waste Fees	\$ 27,210	28,361
	Accounts Receivable	2,483	2,488
William Honkomp, Ashton Representative, Full Board			
	Gate & Solid Waste Fees	\$ 21,822	21,521
	Accounts Receivable	1,518	2,032

**NOTE 8 CLOSURE AND POSTCLOSURE CARE COSTS**

To comply with federal and state regulations, the Agency is required to complete a monitoring system plan and a closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect on the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Northwest Iowa Area Solid Waste Agency  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 8 CLOSURE AND POSTCLOSURE COSTS (continued)**

Governmental Accounting Standards Board Statement No. 18, requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs would consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

The total costs for the Northwest Iowa Area Solid Waste Agency have been estimated at \$1,992,775 as of June 30, 2009 and the portion of the liability that has been recognized is \$1,073,033. These amounts are based on what it would cost to perform all closure and postclosure care during the year ended June 30, 2009. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The estimated remaining life of the landfill is 30 years and the capacity used at June 30, 2009 is approximately 54 percent.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Agency has begun to accumulate resources to fund these costs and at June 30, 2009, assets of \$1,418,821 are restricted for these purposes. They are reported as restricted assets and restricted net assets on the Statements of Net Assets.

Also, pursuant to Chapter 567-113.14(8) of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Agency is required to demonstrate financial assurance for the unfunded costs. The Agency has adopted the dedicated fund mechanism and the government guarantee. Under this mechanism, the Agency must certify the following to the Iowa Department of Natural Resources:

The fund is dedicated by local government statute as a reserve fund.

Payments into the fund are made annually over a pay-in period of ten years or the permitted life of the landfill, whichever is shorter.

Annual deposits to the fund are determined by the following formula:

$$NP = \frac{CE - CB}{Y}$$

NP = next payment

CE = total required financial assurance

CB = current balance of the fund

Y = number of years remaining in the pay-in period

Chapter 567-113.14(6)(a) of the IAC allows a landfill to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the landfill is not required to establish closure and post closure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

Chapter 567-113.14(6)(h) of the IAC allows a landfill to choose the local government guarantee to demonstrate financial assurance. The guarantee must be a written guarantee jointly provided by the members of the 28E organization.

Northwest Iowa Area Solid Waste Agency  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**NOTE 9 SOLID WASTE TONNAGE FEES RETAINED**

The Agency has established an account for restricting and using solid waste tonnage fees retained by the Agency in accordance with Chapter 455B.310 of the Code of Iowa.

At June 30, 2009, the unspent amount retained by the Agency and restricted for required purposes totaled \$150,826.

**NOTE 10 NEW MEMBER**

The City of Akron was approved as a new member during the 2006 fiscal year. They were assessed a membership fee based on the per capita census of the town. The fee is being paid over a five year period.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS**

To the Members of Northwest  
Iowa Area Solid Waste Agency:

We have audited the financial statements of the Northwest Iowa Area Solid Waste Agency as of and for the year ended June 30, 2009, and have issued our report thereon dated September 22, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Northwest Iowa Area Solid Waste Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Northwest Iowa Area Solid Waste Agency's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned function, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affect Northwest Iowa Area Solid Waste Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Northwest Iowa Area Solid Waste Agency's financial statements that is more than inconsequential will not be prevented or detected by Northwest Iowa Area Solid Waste Agency's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Northwest Iowa Area Solid Waste Agency's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item A is a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northwest Iowa Area Solid Waste Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Northwest Iowa Area Solid Waste Agency's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Agency's responses, we did not audit Northwest Iowa Area Solid Waste Agency's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the members and customers of Northwest Iowa Area Solid Waste Agency and other parties to whom the Agency may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Northwest Iowa Area Solid Waste Agency during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*K.F. Murphy Co., P.C.*  
K.F. MURPHY COMPANY, P.C.

Sheldon, Iowa  
September 22, 2009

NORTHWEST IOWA AREA SOLID WASTE AGENCY  
**SCHEDULE OF FINDINGS**  
For the Year Ended June 30, 2009

Findings Related to the Financial Statements:

Significant Deficiency:

- A. Segregation of Duties - An important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the preparation of checks, reconciling of the bank statement, and execution of general ledger functions were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the Agency should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response - Due to the limited number of office employees, segregation of duties is very difficult. However, the manager reviews receipts, postings, and payroll on a test basis.

Conclusion - Response accepted.

Comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Current year statutory comments are as follows:

1. Official Depositories - A resolution naming official depositories has been adopted by the Agency. We noted no instances of noncompliance with the amounts noted.
2. Questionable Expenses - We noted no expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. Travel Expense - No expenditures of money for travel expenses of spouses of Agency officials or employees were noted.
4. Board Minutes - No transactions were found that we believe should have been approved in the Agency minutes but were not.
5. Deposits and Investments - The Agency has adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. We noted no instances of noncompliance with the policy.
6. Solid Waste Fees Retainage - During the year ended June 30, 2009, the Agency used or retained the solid waste fees in accordance with Chapter 455B.310(2) of the Code of Iowa.
7. Financial Assurance - The Agency has fully demonstrated financial assurance for closure and postclosure care costs as required by Chapter 113 of the Iowa Administrative Code. The Agency has showed financial assurance by establishing a dedicated fund and funding it in accordance with GASB 18 funding rules. The Agency also has a local government guarantee in place for any unfunded amounts.

Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*K.F. Murphy Co., P.C.*  
K.F. MURPHY COMPANY, P.C.

Sheldon, Iowa  
September 22, 2009